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CENTRAL INTELLIGENCE AGENCY
OFFICE OF CURRENT INTELLIGENCE
28 January 1955

MEMORANDUM FOR: Deputy Director (Intelligence)
SUBJECT: Offshore Island Situation

General

An Agency France Press correspondent now in Shanghai reported on 27 January that Communist China "is faced with its most serious crisis since the end of the Korean war." Shanghai papers are reported to be carrying "fearful headlines," with accounts of the strength of American forces in nearby waters. The correspondent speculates that the silence of the Communist authorities there may reveal "some uncertainty with regard to the turn of events and the wish to stop the attacks on the American attitude until after the withdrawal of Nationalist forces from the Tachens." It is of considerable interest that the Shanghai authorities are permitting stories of this type to be sent out, and the content of this dispatch to some degree supports a belief that the Communists intend to pursue a cautious policy for the time being.

the war front has been generally quiet following the arrival on Formosa of the US Air Force 18th Fighter-Bomber Wing. All planes of the 75-plane unit are now based on Formosa.

Tachens

Chinese Nationalist bombers hit Communist military targets on Ichiang and Toumen in the Tachen area on 28 January, reportedly crippled. A 1,500 ton Communist ship was

Matsus

Negative.

State Dept. review completed

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Prospects for a Cease-Fire

Peiping's first commentary on President Eisenhower's 24 January message to the Congress hints at a possible modification of Chou En-lai's earlier emphatic rejection of UN action to secure a cease-fire in the China area.

Rather than explicitly rejecting the possibility of UN action as an affront to Chinese sovereignty--which Chou did as late as 24 January--Peiping on 27 January followed the evasive line set by Pravda the previous day. The President is charged with "deceptive talk" and with expressing a "hypocritical welcome" for UN action.

While this commentary does not provide a firm basis for believing that Peiping will modify its position, the Chinese Communists may have come to perceive certain possibilities for exploiting UN action to gain a seat in the UN, a reduction of economic pressures, title to the offshore islands, and perhaps other concessions.

As for Nationalist China, which has publicly opposed the idea of a cease-fire, the US Department of State stated on 27 January that assurances had been neither sought nor received from Chiang Kai-shek last October in regard to Nationalist acceptance of a cease-fire. The statement did not make clear whether the issue had arisen more recently.

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